

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the August 5, 1998
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: September 2, 1998

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee Meeting held in open session August 5, 1998 are submitted on the following pages.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
STATE TEACHERS' RETIREMENT SYSTEM
AUGUST 5, 1998
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
George Fenimore
Marty Mathiesen
Michael Mayer
Lillian Raffel
Emma Zink
Fred Buenrostro, representing State Controller
Kathleen Connell
Richard Whitmore, representing Superintendent
of Public Instruction, Delaine Eastin
Christine Drevalas, representing State Treasurer Matthew Fong
Robin Dezember, representing State Director
of Finance, Craig Brown

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Chris Waddell, Chief Counsel
Doug Wills, Staff Counsel
Mitch Pleis, Director of Real Estate
Michelle Cunningham, Director of Fixed Income
Real Desrochers, Director of Alternative Investments
Steven Tong, Director of Internal Equities
Allan Emkin, Pension Consulting Alliance
Terri Sander, Pension Consulting Alliance
Mary Ann Avansino, Executive Assistant

A quorum being present, Chairperson Lynes called the open session meeting to order at 8:35 a.m.

- I. **ANNOUNCEMENTS** (Item 2)
There were no announcements.
- II. **APPROVAL OF MINUTES OF THE JULY 8, 1998 AND JULY 9, 1998
INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Mr. Mathiesen, seconded by Mr. Mayer and carried to approve the minutes of the July 8, 1998, and July 9, 1998 Investment Committee, Open Session as presented.

Mr. Buenrostro arrived at the meeting at 8:40 a.m.

III. **GENERAL - INVESTMENT OBJECTIVES TIMELINE** (Item 4)

Mr. Mitchell presented the written item listing Investment Objectives in chronological order.

IV. **EQUITY - RFP FOR INTERNATIONAL (NON-U.S.) EQUITY** (Item 5)

Mr. Mitchell and Ms. Okada presented proposed specifications for a RFP for International (Non U.S.) Equity Manager(s). Discussion ensued.

MOTION duly made by Ms. Zink, seconded by Mr. Mathiesen and carried to approve the specifications and authorize staff to release the RFP for International (Non - U.S.) Equity Manager(s) including the concepts of pooling, evergreen contracts and delegation of the final selection to Staff. Mr. Buenrostro voted no.

V. **REAL ESTATE - INCENTIVE FEE DISCUSSION** (Item 6)

Mr. Pleis and Ms. Sander discussed the written item outlining various types of fee structures used in real estate relationships.

Mr. Fenimore arrived at the meeting at 9:00 a.m.

VI. **ALTERNATIVE INVESTMENT - TIERED RATING SYSTEM** (Item 7)

Mr. Desrochers and Mr. Mitchell reviewed a model of a tiered rating system designed to assist in the on-going monitoring and due diligence process of the alternative investment portfolio.

VII. **GENERAL - INVESTMENT MANAGEMENT PLAN** (Item 8)

Mr. Mitchell discussed the revised draft of the Investment Management Plan.

VIII. **CREDIT ENHANCEMENT - ACTIVITY STATUS REPORT** (Item 9)

Mr. Mitchell presented the written report.

IX. **REAL ESTATE - ACTIVITY STATUS REPORT** (Item 10)

Mr. Pleis presented the written report. He reported further that appraisals have been done on all of the properties in the portfolio.

X. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 11)

Mr. Desrochers presented the written report.

XII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 12)

Mr. Mitchell discussed the written report. Mr. Mitchell reported that the Internal Managed S&P 500 Portfolio reflected a tracking error of 1 basis point as of June 1998. The Committee previously requested, from three of STRS' managers, economic forecasts for the next year. The forecasts provided by three of our managers, Baring Asset Management, Brinson Partners, Inc., Fiduciary Trust International were reviewed..

XIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 13)

There were no statements from the public.

XIV. **MOVE TO CLOSED SESSION**

Chairperson Lynes moved the meeting directly to closed session at 9:45 a.m.

XV. **ADJOURNMENT**

Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to litigation and investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 10:20 a.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson